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BUSINESS 15
CORPORATION FILE

Walgreens
DRUGS



ANNUAL REPORT *to Shareowners* 1956

Walgreen Co.



DIRECTORS

A. A. BORG
SANFORD J. BOWYER
ROBERT G. KNIGHT
EDWARD P. LESLIE
BERT O. PINCH
R. G. SCHMITT
A. L. STARSHAK
C. R. WALGREEN, JR.
R. E. WALKER

OFFICERS

C. R. WALGREEN, JR. *President*
A. A. BORG *Vice President*
SANFORD J. BOWYER *Vice President*
C. R. CAMPBELL *Vice President*
O. G. GILE *Assistant Secretary*
ROBERT G. KNIGHT *Vice President and Treasurer*
C. E. LA FRAMENTA *Vice President*
EDWARD P. LESLIE *Vice President*
W. W. LOW *Assistant Treasurer*
BERT O. PINCH *Vice President and Ass't Sec'y*
M. W. PRATT *General Auditor*
P. J. REDFORD *Assistant Secretary*
R. G. SCHMITT *Vice President and Secretary*
A. L. STARSHAK *Vice President*
R. E. WALKER *Vice President*
C. S. ZALEWSKI *Comptroller*

Public Accountants and Auditors ARTHUR ANDERSEN & CO.

Transfer Agents THE FIRST NATIONAL BANK OF CHICAGO
GUARANTY TRUST COMPANY OF NEW YORK

Registrars HARRIS TRUST AND SAVINGS BANK OF CHICAGO
THE FIRST NATIONAL CITY BANK OF NEW YORK

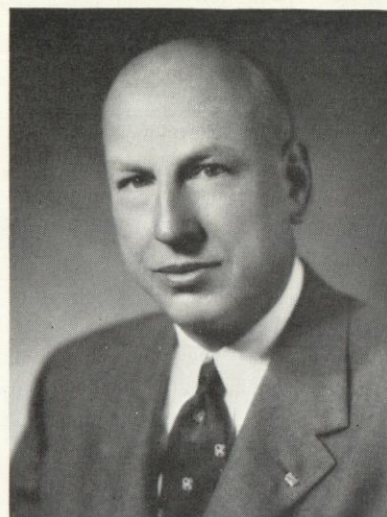
in 1956 . . .

EACH SHARE

(of 1,292,485 outstanding)

- had **SALES** of\$164.24
- made a **PROFIT BEFORE TAXES** of 6.28
- paid **INCOME TAXES** of 3.16
- and earned a **NET PROFIT** of 3.12
- paid its owner in **CASH DIVIDENDS** 1.85
- re-invested to **EXPAND** and **IMPROVE** the business 1.27
- bringing its **BOOK VALUE** at September 30 to.... 25.43

The President's Annual Message



EARNINGS for our recently closed fiscal year were \$3.12 a share—slightly more than the \$3.09 of a year ago. The second half of our year—April through September—suffered a comparative disadvantage, in that Easter business this year was in March. A factor of greater adverse impact was a summer season that almost everywhere was unfavorable to soda fountain volume. Not only did our fountain sales fall behind during the last half of our year, but the profitable hot weather items were particularly hard hit. This adverse effect was felt both in our retail stores and in our extensive ice cream and related manufacturing operations.

Our Company's sales showed an increase of 19½ million dollars, or 10.1%, and reached a new high.

We recently opened a sizable warehouse in Dallas, Texas, replacing an outmoded one. A new warehouse under construction in Denver, Colorado, will complete our warehouse building program for several years. Greater efficiency will, we believe, result from these changes, as has been the case with others previously reported.

During the year just closed, we opened 18 new stores, acquired 2, substantially remodeled 19 others; 22 smaller units were closed. At September 30, we had 386 stores in operation—2 less than a year ago. Of these, 94 are self service.

For the current fiscal year, we have under way a further moderate degree of expansion—somewhat heavier than for 1956. Most of the new stores will be located in shopping centers, and will be on a self service basis.

The substantial costs of adapting our business to meet changing competitive conditions and to take advantage of their opportunities continue. Retail business is good, but highly competitive. Operating costs show a continuing tendency to rise, which we are in the process of offsetting, mainly by the efficiencies of better store management and arrangement, and by merchandising programs that step up individual store sales.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. Walgreen, Jr." The signature is written in dark ink and is positioned above the printed name.

President

Chicago, November 23, 1956

Walgreen Co. and Subsidiary Companies

COMPARATIVE

ASSETS

	September 30,	
	1956	1955
CURRENT ASSETS:		
Cash	\$ 7,466,801	\$ 7,338,355
United States Government securities.....	225,366	745,159
Accounts receivable, less reserves.....	2,596,536	2,298,353
Inventories of merchandise, priced at the lower of cost or market, less reserves	23,767,747	23,306,991
TOTAL CURRENT ASSETS	34,056,450	33,688,858
PREPAID RENT, INSURANCE, TAXES, ETC.	960,204	883,422
INVESTMENTS AND OTHER ASSETS:		
Investments in affiliated and other companies, at cost.....	1,659,402	1,616,903
Estimated net recovery of prior years' Federal income taxes.....	—	440,000
TOTAL INVESTMENTS AND OTHER ASSETS.....	1,659,402	2,056,903
FIXED ASSETS, at cost:		
Land	22,000	22,000
Buildings (on owned and leased land).....	1,554,101	1,554,101
Equipment	21,633,245	19,715,610
	23,209,346	21,291,711
Less—Reserves for depreciation	9,826,670	9,133,450
TOTAL FIXED ASSETS	13,382,676	12,158,261
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	1	1
	<u>\$50,058,733</u>	<u>\$48,787,445</u>

BALANCE SHEET

LIABILITIES

	September 30,	
	<u>1956</u>	<u>1955</u>
CURRENT LIABILITIES:		
Trade accounts payable	\$ 6,734,580	\$ 6,259,429
Accrued expenses and other liabilities.....	5,061,018	4,922,883
Federal and State income taxes.....	2,949,718	3,433,890
Notes payable	500,000	500,000
TOTAL CURRENT LIABILITIES	<u>15,245,316</u>	<u>15,116,202</u>
2½% NOTE, due August 15, 1960; amounts ranging from \$350,000 to \$500,000 due annually (current maturity included above)	<u>1,950,000</u>	<u>2,450,000</u>
CAPITAL STOCK AND SURPLUS:		
Common stock, \$10 par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	12,924,850	12,924,850
Earned surplus, per accompanying statement.....	19,938,567	18,296,393
TOTAL CAPITAL STOCK AND SURPLUS.....	<u>32,863,417</u>	<u>31,221,243</u>
	<u>\$50,058,733</u>	<u>\$48,787,445</u>

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years Ended September 30, 1956 and 1955

	<u>1956</u>	<u>1955</u>
SALES AND OTHER INCOME:		
Net sales and other store income	\$212,283,299	\$192,735,093
Other income (net)	408,074	216,419
	<u>212,691,373</u>	<u>192,951,512</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	201,053,149	181,950,612
Depreciation of buildings and equipment	1,530,108	1,381,405
Provision for contribution to employees' retirement pension trust..	1,557,000	1,376,000
Improvements to leased properties	437,845	249,291
	<u>204,578,102</u>	<u>184,957,308</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES	8,113,271	7,994,204
Provision for Federal and State income taxes	4,080,000	4,000,000
NET INCOME	<u>\$ 4,033,271</u>	<u>\$ 3,994,204</u>

COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1956 and 1955

BALANCE BEGINNING OF YEAR	\$ 18,296,393	\$ 16,693,286
NET INCOME	4,033,271	3,994,204
	<u>22,329,664</u>	<u>20,687,490</u>
DEDUCT—Dividends paid \$1.85 per share	2,391,097	2,391,097
	<u>\$ 19,938,567</u>	<u>\$ 18,296,393</u>

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN CO.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1956, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended September 30, 1955.

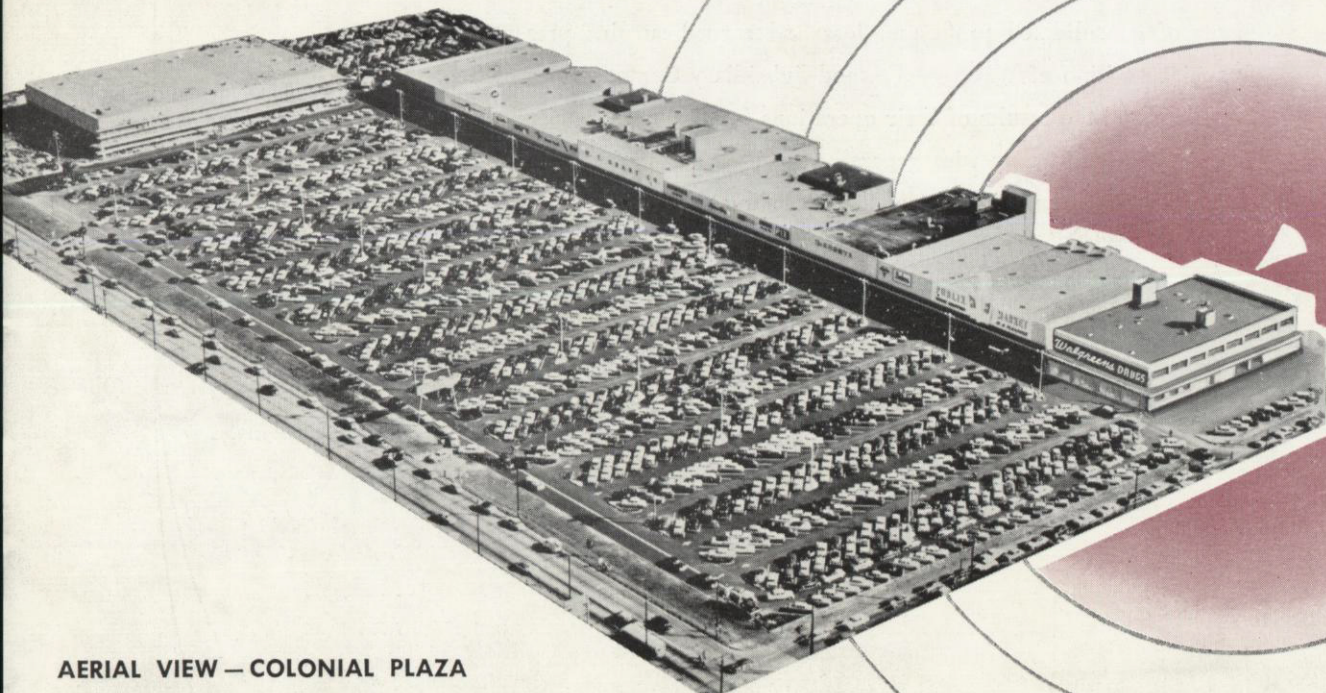
In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Walgreen Co. and Subsidiary Companies as of September 30, 1956, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,
November 13, 1956.

Typical of many new Walgreen
Drug Stores is the suburban
drive-in shopping center unit.
Here are views of our
new 1956 Orlando, Florida store on . . .

GRAND OPENING DAY



AERIAL VIEW — COLONIAL PLAZA
SHOPPING CENTER, ORLANDO, FLA.



GRAND OPENING SALE
DRAWS THROG OF
SHOPPERS . . .

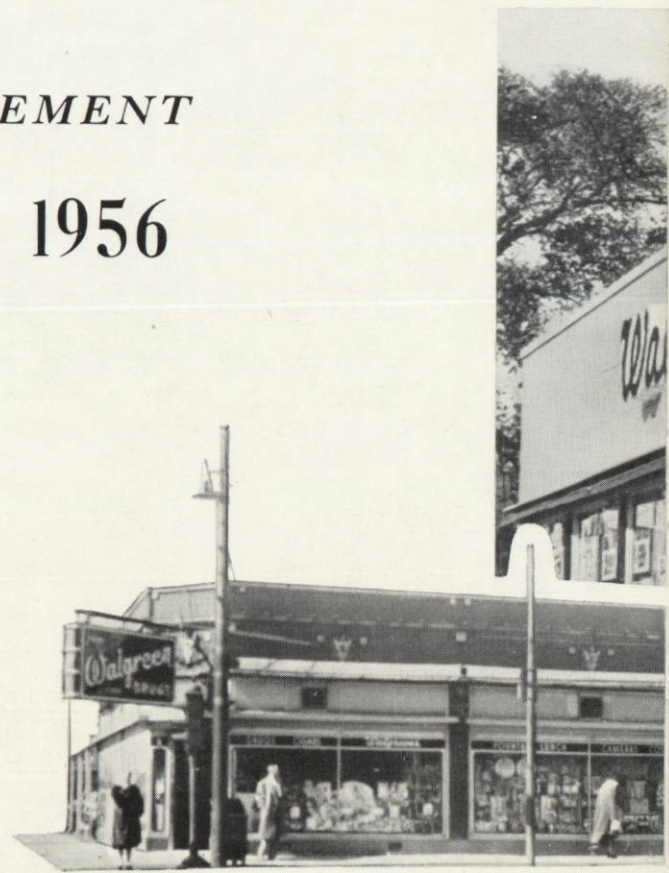




PROGRESS through IMPROVEMENT

Major Remodelings in 1956

- | | |
|------------------------------------|-----------------------------------|
| Chicago, Ill., 4800 Fullerton | Lake Charles, La., 801 Ryan |
| Chicago, Ill., 5501 S. Michigan | Louisville, Ky., 5300 S. Third |
| Davenport, Ia., 201 W. Second | New York, N. Y., 1796 Broadway |
| Davenport, Ia., 246 W. Third | Oakland, Cal., 1233 Broadway |
| Denver, Colo., 601 Broadway | Rockford, Ill., 134 N. Main |
| Denver, Colo., 6240 Colfax | Rock Island, Ill., 1800 Second |
| East Chicago, Ind., 722 W. Chicago | South Bend, Ind., 201 N. Michigan |
| Green Bay, Wisc., 324 Washington | Toledo, Ohio, 601 Adams |
| Hinsdale, Ill., 53 S. Washington | Wichita Falls, Tex., 710 Indiana |
| Jacksonville, Fla., 125 Main | |



PROGRESS through EXPANSION

New Stores of 1956

Baton Rouge, La., Delmont Shopping Village

Champaign, Ill., 201 N. Neil

Chicago, Ill., 3213 N. Ashland

Chicago, Ill., 4743 N. Broadway

Chicago, Ill., 67 E. Madison

Chicago, Ill., Scottsdale Shopping Center, 79th & Cicero

Corpus Christi, Tex., 418 Chaparral

Fort Wayne, Ind., Southgate Shopping Plaza

Frayser, Tenn. (Memphis), Northgate Shopping Center

Harvey, Ill., 160 E. 154th St.

Houston, Tex., Gulfgate City Shopping Center

Jennings, Mo. (St. Louis), Northland Shopping Center

Newport, Ky., Newport Shopping Center

Oak Cliff, Tex. (Dallas), A. Harris Shopping Center

Oak Ridge, Tenn., Downtown Commercial Center

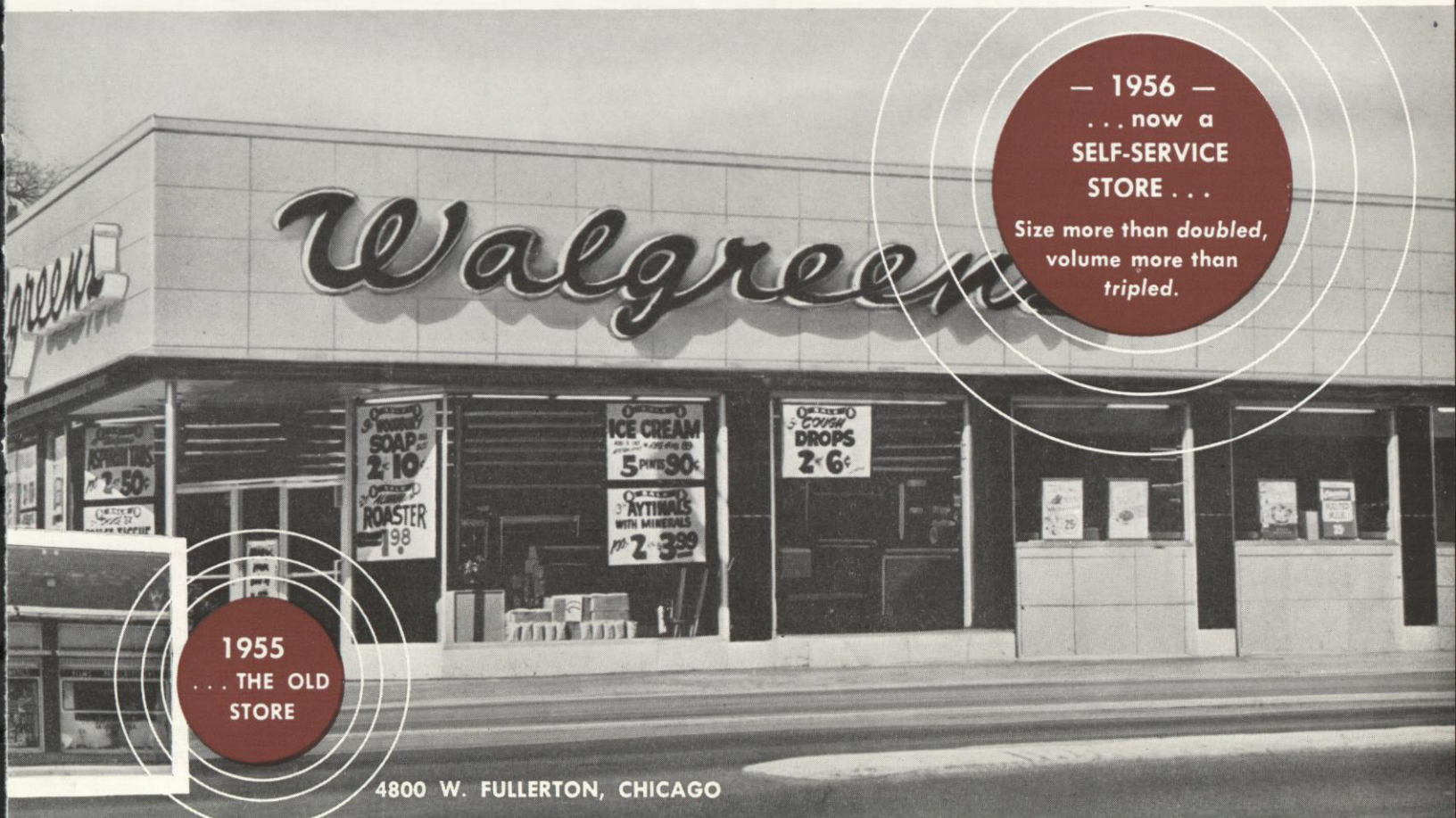
Orlando, Fla., Colonial Shopping Plaza

Pleasure Ridge Park, Ky. (Louisville),
Dixie Manor Shopping Center

Richmond Heights, Mo. (St. Louis),
Westroads Shopping Center

Rockford, Ill., Rockford Shopping Plaza

Toledo, Ohio, Miracle Mile Shopping Center



— 1956 —
... now a
**SELF-SERVICE
STORE ...**

Size more than doubled,
volume more than
tripled.

1955
... THE OLD
STORE

4800 W. FULLERTON, CHICAGO

Rx

“... THE MOST IMPORTANT SINGLE
THING IN OUR BUSINESS”



Prescriptions

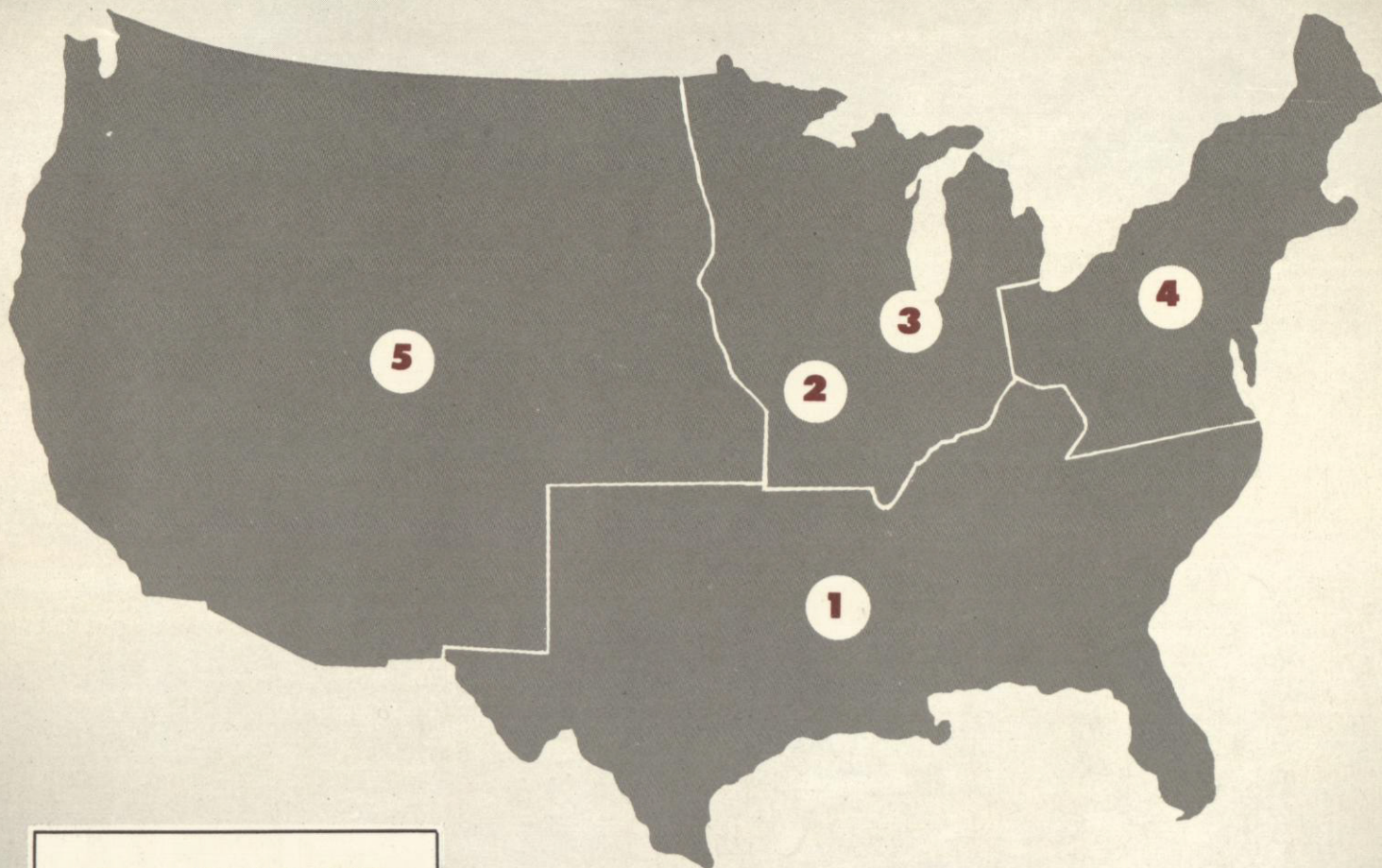
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The continuing upward trend of our prescription volume mirrors the confidence placed in our pharmacy service by the medical profession and the public alike. Though our stores constantly broaden in character and develop in size, the Prescription Department continues to be the keystone of our business . . .



- 1** SOUTHERN STATES
\$62,069,607 or 29.3%
- 2** MIDWEST STATES
(Chicago excluded)
\$61,003,159 or 28.7%
- 3** CHICAGO, ILL.
\$44,420,885 or 20.9%
- 4** EASTERN STATES
\$24,249,183 or 11.4%
- 5** WESTERN STATES
\$20,540,465 or 9.7%

DISTRIBUTION OF SALES



As a share-owner, you'll be interested in our distribution of sales. 386 Walgreen Drug Stores, at key locations, serve communities across the nation. In addition, over 1800 independently-owned Walgreen Agency Drug Stores carry our name and our products into many areas not directly served by our own stores. And our affiliate in Mexico, the celebrated *Sanborns* stores, gives international scope to our operations.

"Walgreens — the Nation's Name for Drug Stores"



Walgreens

“More people trade at Walgreens than at any other drug stores in the world.”